

Message Text

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E.O. 11652: N/A

TAGS: EIND, EFIN, SW

SUBJECT: LITTON, GOODYEAR SUBSIDIARIES CRITICIZED FOR
CUTTING SWEDISH OPERATIONS

SUMMARY: TRADE MINISTER CARL LIDBOM AND PLANT LABOR LEADERS HAVE CRITICIZED GOODYEAR TIRE PLANT IN SWEDEN FOR CONSIDERING CLOSING DOWN, AND LITTON SUBSIDIARY SWEDA FOR GIVING NOTICE OF DISMISSAL TO 445 EMPLOYEES. EMBASSY HAS SUGGESTED TO MANAGING DIRECTORS OF BOTH COMPANIES DESIRABILITY OF PROVIDING PUBLIC EXPLANATION OF COMPELLING ECONOMIC GROUNDS FOR THEIR ACTIONS. EMBASSY WOULD APPRECIATE ANY SUGGESTIONS DEPARTMENT CAN OFFER OF ACTIONS THESE COMPANIES MIGHT TAKE TO PROVIDE GREATER PUBLIC UNDERSTANDING OF THEIR SITUATIONS.

1. SWEDISH TRADE MINISTER CARL LIDBOM POINTED TO RETRENCHMENT PLANS OF TWO AMERICAN COMPANIES IN SWEDEN WHEN HE DECLARED IN RECENT SPEECH THAT SWEDEN MUST IMPOSE CONDITIONS UPON ENTRY OF
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FOREIGN COMPANIES TO GUARANTEE SOME CONTROL OVER THEIR

ACTIVITIES. LIDBOM CITED AS UNDESIRABLE BEHAVIOR THAT OF GOODYEAR, NOW CONSIDERING CLOSING ITS 800-EMPLOYEE TIRE FACTORY IN NORRKOPING AND THAT OF LITTON'S SWEDA MECHANICAL CASH-REGISTER PLANT IN SOLNA OUTSIDE STOCKHOLM, PLANNING TO DISMISS 445 EMPLOYEES IN 1976. AUTHORITIES IN HOST COUNTRY ARE NOT INFORMED OF PROBLEMS OR PLANS UNTIL COMPANIES ARE ALREADY RUN INTO GROUND, LIDBOM COMPLAINED. "FOREIGN INTERESTS MAY NOT BUY SWEDISH COMPANIES ONLY TO SUCK MEAT FROM BONES AND THEN THROW THEM AWAY", HE SAID. INTERNATIONAL RULES MUST BE CHANGED; SWEDEN WILL TRY TO CREATE INTERNATIONAL AGREEMENTS IN THIS AREA.

2. LABOR SPOKESMEN HAVE ALSO MADE CRITICAL STATEMENTS TO PRESS ABOUT GOODYEAR AND SWEDA. ENAR AGREN, UNION CHIEF AT GOODYEAR PLANT, CHARGED IN NEWSPAPERS THAT PEOPLE OF NORRKOPING CAN JUSTLY DEMAND THAT COMPANY UNDERSTAND ITS RESPONSIBILITY AND SECURE JOBS OF ITS EMPLOYEES. HAVING TAKEN ALL IT COULD FROM ITS SWEDISH OPERATIONS, COMPANY IS NOW MOVING PRODUCTION ABROAD, AN ACTION WHICH HE CONSIDERED TYPICAL OF WAY MULTI-NATIONAL COMPANIES (MNC'S) WORK. JAN LINDGREN, LABOR CHIEF AT SWEDA, TOLD PAPERS THAT BIG MNC LIKE "AMERICAN-OWNED LITTON" SHOULD HAVE MANAGED IN ANOTHER WAY. NATIONAL LAWS AND AGREEMENTS, HE ALLEGED, DO NOT EXTEND TO MNCS; GOVERNMENTS MUST THEREFORE AGREE ON COUNTERMEASURES.

3. BOTH COMPANIES ARE IN SERIOUS ECONOMIC TROUBLE. GOODYEAR'S DIFFICULTIES REPORTEDLY STEM FROM HIGH SWEDISH WAGES, INCREASED IMPORTS (ESPECIALLY FROM EC COUNTRIES FOR WHICH SWEDEN HAS BEEN GRADUALLY LOWERING ITS DUTIES UNDER 1973 INDUSTRIAL FREE-TRADE AGREEMENT), AND COMPETITION FROM LONG-WEARING STEEL RADIAL TIRES, WHICH GOODYEAR FOUND UNPROFITABLE TO MANUFACTURE IN SWEDEN. SWEDA'S MAIN PROBLEM IS PRODUCT OBSOLESCENCE: LITTON HAS NOT CHOSEN TO MANUFACTURE ITS MORE ADVANCED ELECTRONIC REGISTERS HERE. LITTON REPORTEDLY HAS BEEN SEEKING A BUYER UNSUCCESSFULLY FOR SOME TIME AND MAY ULTIMATELY HAVE TO CLOSE PLANT.

4. COMMENT. EMBASSY IS CONCERNED BY ASSERTIONS OF MINISTER LIDBOM AND PLANT LABOR LEADERS. ACCORDINGLY, EMBOFF RAISED WITH MANAGING DIRECTORS OF BOTH GOODYEAR AND SWEDA SUGGESTION LIMITED OFFICIAL USE

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THAT THEY MIGHT WISH TO CONSIDER PUBLIC STATEMENT, PERHAPS EVEN PAID SPACE IN NEWSPAPERS, TO EXPLAIN FORCES AFFECTING THEIR COMPANIES. EMBOFF STATED THAT WITHDRAWAL OF OPERATIONS IN FACE OF UNANSWERED CRITICISM WOULD DAMAGE REPUTATION OF GOODYEAR AND LITTON, MAKE THEIR OPERATIONS MORE DIFFICULT EVERYWHERE, STRENGTHEN PUBLIC OPINION IN SWEDEN FOR TIGHTER CONTROLS OVER MNCS, AND THRUST UPON EMBASSY AFTER THEIR WITHDRAWAL NECESSITY OF STATING THEIR CASE AND REPAIRING

REPUTATION OF AMERICAN BUSINESS.

5. LENNART SWEDBERG, GOODYEAR MANAGING DIRECTOR AND US CITIZEN, SAID COMPANY COULD MAKE NO STATEMENT UNTIL DECISION REACHED BY INTERNAL COMMITTEE NOW STUDYING POSSIBLE CLOSURE. (DECISION REPORTEDLY COULD BE REACHED BY YEAR END.) HIS CONVERSATION SUGGESTED TO EMBOFF THAT CLOSURE WAS LIKELY. SWEDBERG BELIEVED COMPANY STATEMENT WOULD ONLY FEED FURTHER CRITICISM.

6. AKE JOHANSSON, MANAGING DIRECTOR OF SWEDA, ON OTHER HAND, WAS MUCH INTERESTED IN EMBASSY'S SUGGESTION. JOHANSSON SAID HE WOULD CONSIDER WHAT MIGHT BE BEST MEANS OF EXPLAINING SWEDA'S ACTIONS AND ASKED FOR ANY FURTHER THOUGHTS EMBASSY MIGHT HAVE ABOUT HOW TO PROCEED. JOHANSSON ADDED THAT SWEDA MANAGEMENT HAD BEEN CAREFUL TO KEEP EMPLOYEES INFORMED OF DECISIONS FACING COMPANY. HE HAD BEEN ASKED TO MEET WITH LABOR MARKET MINISTER INGEMUND BENGTTSSON WHO IS TRYING TO ASSIST FIRM IN FINDING A SWEDISH BUYER.

7. ACTION REQUESTED: EMBASSY WOULD APPRECIATE LEARNING OF ANY SUCCESSFUL PUBLIC RELATIONS PROCEDURES THAT AMERICAN FIRMS PHASING OUT OR REDUCING THEIR OPERATIONS ABROAD MAY HAVE USED TO EXPLAIN THEIR DECISIONS.
STRAUSZ HUPE

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